



**\*\* Please note: This is a copy of the rates communication that was provided to agencies on 06/30/06. In Attachments 2-4 of the original communication, each agency received financial information specific to them. Those areas are blank in this copy. \*\***

## MEMORANDUM

TO: State Department Directors & Elected Officials  
State Department Financial Managers  
State Chief Information Officers  
Iowa Department of Management Budget Analysts

FROM: Mollie Anderson

DATE: June 30, 2006

RE: **DAS FY2008 Utility Rates – Comment Period Begins**

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The four DAS Customer Councils have approved proposed utility rates for Fiscal Year 2008. This communication is to notify you of the rates that have been tentatively set, provide some background information, and open the 30-day comment period on these proposed rates.

DAS would like to extend a special thanks and appreciation to Bill Snyder, HRE Customer Council Chair, Charlie Smithson, GSE Customer Council Chair, Greg Wright, ITE Customer Council Chair and Roger Stirler, I/3 Interim Customer Council Chair – as well as all Customer Council members – for their leadership and customer advocacy during the rate-setting process for FY 2008.

As a result of the leadership and review provided by the Customer Councils and the work of DAS staff to control costs, we are happy to report that of the 23 utility services provided by DAS, nine (9) will see a reduction in their rate for FY08, and two (2) more rates will stay the same as FY07. Six (6) rates will see an increase. The final six (6) of the 23 utility services are billed as allocations (rather than rates) and reductions were also seen in some of those areas.

A description of each utility service can be found in DAS' service catalog at <https://eDAS.iowa.gov>. Please note that you may look up any service by clicking in the "Search Services" box on the first page without actually logging in.

### **Attachments**

Attached are four documents which contain DAS utility rate information that will assist you in the FY 2008 budgeting process. You will find that the corresponding footnotes are best viewed in "print layout" mode.

1. ***Proposed FY 2008 DAS Utility Rates*** – This is the list of rates and allocations developed and tentatively approved by the GSE, HRE, I/3 and ITE Customer Councils. This information is being presented for

your review and begins a 30-day comment period during which the DAS Customer Councils hope you will ask questions and offer feedback. At the conclusion of the comment period (**July 31, 2006**), each Customer Council will evaluate your comments and vote on final utility rates. All rates will be finalized by September 1, 2006.

2. ***Agency-specific Comparison of Projected Expenses for DAS Utilities (non-I/3)*** – This document will help you understand the impact of the FY 2008 DAS utility rates on your agency; it charts the differences between your agency's originally estimated FY 2007 and FY 2008 DAS utility costs. The information in the comparison chart contains the original FY 2007 information as it was presented to you last year. After the FY07 rates were initially approved, the Customer Councils approved the following rate changes for FY07:
  - Unemployment rate was changed to \$1.25 / head count using the 4<sup>th</sup> quarter average ending March 2006.
  - Association fee – Office & Storage space was changed to a combined rate of \$3.425 / square foot.
  - Information Security Office (ISO) – was added for FY07 at \$10.41 / FTE count. (Please see Attachment 4 for more details.)
3. ***Agency-specific Comparison of Projected Expenses for I/3*** – This document will help you understand the impact of the FY 2008 DAS I/3 allocation to your agency. It also charts the differences between your agency's estimated FY 2007 and FY 2008 I/3 allocation. DAS will be seeking additional funds to be used as a distribution to agencies to cover part of the FY 2008 I/3 allocation amount. The distribution amount applicable to your agency is also identified on this chart.
4. ***Information Security Office (ISO) Utility Rate Information*** – The Technology Customer Council approved adding the ISO to DAS utility services on April 11, 2006, starting with FY07. This was done after soliciting comments from all agencies on making the ISO a utility. After reviewing the customer comments received, the Council decided to approve of the ISO fee at a rate of \$10.41 per FTE per year for FY07. This rate assumes participation by all agencies, including judicial, legislative and elected officials' offices. The rate also accounts for a \$44,294 DAS appropriation used to help subsidize the rate to departments. Please note that this fee will not appear on the FY07 budget/rate information sent to you last year.

#### **Rate Methodologies – by enterprise**

- ***DAS-State Accounting Enterprise*** – I/3 is an allocation amount that is based on the cost of the system components and an agency's annual revenues, expenditures or FTE's to the total population. The allocation amount was determined by the I/3 Customer Council.
- ***DAS-Information Technology Enterprise*** – The ITE Common Directory and the Information Security Office (ISO) calculate annual rates based upon the 3<sup>rd</sup> quarter number of FTE's ending March 2006. The ISO rate was recently approved by the Technology Customer Council as an FY07 rate. ITE received an appropriation in FY 2007 to cover part of the costs of the ISO utility rate. (See Attachment 4 for more details.)
- ***DAS-Human Resources Enterprise*** – Most HRE utility rates are calculated by using the 5-quarter average of FTE's ending March 2006. However, for billing HRE utility rates, the actual number of permanent full-time and part-time employees as of the previous month's 2<sup>nd</sup> pay period is used to calculate the amount owed. The HRE flexible spending account administrative charge is not included in the projection. The workers' compensation premium is based on a five-year rolling average based on experience. The rates included in this communication reflect FY07 rates only. FY08 estimated worker comp rates will be sent to agencies in August, once these actuarially determined estimates can be made by Deloitte Consulting.
- ***DAS-General Services Enterprise*** – Effective for FY2007 and FY2008 there are no longer separate rates for storage and office space. The GSE Customer Council uses a number of different

methodologies to calculate the various GSE utility rates. In addition, some utilities are actual rates while others are considered allocations. The GSE Fleet Management fee and the GSE Risk Management fee use the number of active vehicles in an agency each month; therefore, actual billed rates and quantities will vary depending on agency usage. Since we cannot project customer usage, we are also unable to project budget impact for the Design & Construction hourly fee or the Outside Seat of Government Leasing hourly fee. If you use Design & Construction to manage capital projects for your agency, you should plan for this added administrative cost in your capital budget.

### **General Notes**

- Please note that costs for marketplace services are not included in this communication. Customer Councils are responsible for setting utility rates only.
- As you know, four different DAS customer councils set DAS utility rates, each using a slightly different approach. Variances may result from simple rounding.
- Should any material changes occur in the rates following the 30-day comment period, DAS will communicate those changes to you.

### **Providing Comment – by July 31, 2006**

You may communicate feedback or questions regarding these rates with DAS and the Customer Councils by clicking on the “[Submit Questions](#)” link shown on the home page of the DAS Website (<http://www.das.iowa.gov>), and also as shown below:

**FY 2008 UTILITY RATES**  
**Proposed FY 2008 Rate Questions and Answers**  
FY 2008 Utility Rates Communication  
[Submit Questions](#)  
[Question and Answer Log for Proposed FY 2008 Utility Rates](#)

Your questions/comments will be forwarded to the appropriate DAS staff or Customer Council chair for follow up. DAS will respond to the individual who submitted the question and post the question/comment and answer on the website, as shown above ([Question and Answer Log for Proposed FY 2008 Utility Rates](#)).

Lana Morrissey, the new CFO for DAS, will be contacting the respective Finance staff within each agency on an individual basis. This will allow agencies an opportunity to review and discuss the financial information in this memo directly with DAS personnel.

In addition, DAS management will meet with Department of Management (DOM) fiscal representatives to discuss the overall financial impact to state agencies. If you have questions about how to incorporate the FY08 utility rates into your budget request, please contact your DOM budget analyst.

You will find a copy of this memo and attachments on the DAS website: <http://www.das.iowa.gov>. More information about the Customer Councils – member lists, meeting schedules, past meeting agendas and minutes – are available online at [http://das.iowa.gov/customer\\_councils/index.html](http://das.iowa.gov/customer_councils/index.html).

Thank you for taking the time to review this information and provide feedback.

## PROPOSED FY 2008 DAS UTILITY RATES

June 30, 2006

DAS UTILITIES	BASIS FOR RATE CALCULATION	ANNUALIZED RATES <sup>1</sup>		
		FY08	FY07	+/-
<b>State Accounting Enterprise (SAE)</b>				
I/3 (Integrated Information for Iowa)	Annual allocation	N/A	N/A	N/A
<b>Information Technology Enterprise (ITE)</b>				
Directory Service	FT & PT Perm Employee-3rd Qtr FY2006	\$8.26	\$9.40	- \$1.14
Information Security Office (ISO)	FT & PT Perm Employee-3rd Qtr FY2006	\$12.76	\$10.41 <sup>2</sup>	+ \$2.35
<b>Human Resources Enterprise (HRE)</b>	<b>* 5-quarter average through 3<sup>rd</sup> Quarter of FY06:</b>			
Benefits	FT & PT Perm Employee *	\$34.80	\$28.80	+ \$6.00
Personnel Officers	FT & PT Perm Employee *	\$71.28	\$65.88	+ \$5.40
Labor Relations	FT & PT Perm Employee *	\$21.84	\$31.56	- \$9.72
<i>Employment Services:</i>				
Merit Only	FT & PT Perm Employee *	\$18.48	\$19.68	- \$1.20
Merit and Non-Merit	FT & PT Perm Employee *	\$58.92	\$60.12	- \$1.20
Health Insurance Surcharge	Per participant	\$24.00	\$24.00	\$0
Golden Dome	Full-time Perm Employee *	\$2.00	\$2.00	\$0
Unemployment	Annual allocation	N/A	N/A	N/A
Workers' Compensation	Annual allocation	N/A	N/A	N/A
<b>General Services Enterprise (GSE)</b>				
<i>Association Fees:</i>				
Office & Storage Space combined <sup>3</sup>	Per square foot	\$3.10	\$3.425 <sup>4</sup>	- \$0.325
Office Space	Per square foot		\$3.44	
Storage Space	Per square foot		\$2.50	
Ankeny Lab	Per square foot	\$5.26	\$5.57	- \$0.31
Purchasing <sup>5</sup>	Annual allocation	N/A	N/A	N/A
Mail Services	Annual allocation	N/A	N/A	N/A
Blanket Bond	FT & PT Perm Employee-3rd Qtr FY2006 Qtr FY2006	\$2.14	\$2.06	+ \$0.08
Fleet – Risk Management	Per active vehicle	\$288.00	\$209.28	+ \$78.72
Leasing, Fee at Seat of Govt.	Per square foot	\$0.1097	\$0.1146	- \$0.0049
Fleet Management	Per active vehicle	\$176.76	\$225.00	- \$48.24
Fleet Depreciation <sup>6</sup>	Per active vehicle	N/A	N/A	N/A
Design & Construction Services	Per hour	\$83.84/hr	\$116.85/hr	- \$33.01
Leasing, Fee Outside Seat of Govt.	Per hour	\$61.90/hr	\$50.90/hr	+ \$11.00

<sup>1</sup> Included with this communication is information projecting budget impact for each utility rate for your department.

<sup>2</sup> ISO was added as a utility service after initial FY07 rates were approved. This amount is an estimate only. See Attachment 4 for more details.

<sup>3</sup> For FY07 and FY08 one rate for space, regardless of type, was established; therefore separate storage rates were eliminated.

<sup>4</sup> This rate was approved of after initial FY07 rates were approved. Initial FY07 rates for these fees were two separate rates for Office and Storage space (\$3.44 and \$2.50, respectively). \$3.425 is the universal rate for office & storage space combined.

<sup>5</sup> Purchasing allocations are based upon the portion of FY08 budget supported by customer fees, using the same methodology as FY07.

<sup>6</sup> Fleet depreciation will be billed in compliance with Federal OMB Circular A-87 requirements. Rates and charges are contingent on vehicle type and purchase date.

**Comparison of FY08 Projected Expenses for DAS Utilities – non-I/3  
June 30, 2006**

<b>AGENCY:</b>					
<b>DAS UTILITIES</b>	<b>FY07 RATE (ANNUALIZED)</b>	<b>ANNUAL FY07 PROJECTION</b>	<b>FY08 PROPOSED RATE (ANNUALIZED)</b>	<b>ANNUAL FY08 PROJECTION</b>	<b>FY08 – FY07 ANNUAL CHANGE</b>
<b>Information Technology Enterprise (ITE)</b>					
Directory Service	\$9.40/FTE		\$8.26/FTE		
Information Security Office (ISO)	* See Attachment 4 *		\$12.76/FTE		N/A
<b>Human Resources Enterprise (HRE)</b>					
Benefits	\$28.80/FTE		\$34.80/FTE		
Personnel Officers	\$65.88/FTE		\$71.28/FTE		
Labor Relations	\$31.56/FTE		\$21.84/FTE		
Merit Only Employment Services	\$19.68/FTE		\$18.48/FTE		
Merit and Non-Merit Employment Services	\$60.12/FTE		\$58.92/FTE		
Health Insurance Surcharge	\$24.00/participant	N/A	\$24.00/participant	N/A	N/A
Golden Dome	\$2.00/FTE		\$2.00/FTE		
Unemployment	\$1.00/head count <sup>5</sup>		\$1.25/head count		
Workers' Compensation	N/A		N/A		
<b>General Services Enterprise (GSE)</b>					
Office Space	\$3.44/sq ft <sup>6</sup>		\$3.10/sq ft		
Storage Space	\$2.50/sq ft <sup>6</sup>		N/A	N/A	
Ankeny Lab	\$5.57/sq ft		\$5.26/sq ft		
Purchasing	N/A		N/A		
Mail Administration	N/A		N/A		
Blanket Bond	\$2.06/FTE		\$2.14/FTE		
Fleet - Risk Management	\$209.28/vehicle		\$288.00/vehicle		
Leasing, Fee at Seat of Govt.	\$0.1146/sq ft		\$0.1097/sq ft		
Fleet Management	\$225.00/vehicle		\$176.76/vehicle		
Design & Construction Services	\$116.85/hr	N/A	\$83.84/hr	N/A	N/A
Leasing, Fee Outside Seat of Govt.	\$50.90/hr	N/A	\$61.90/hr	N/A	N/A
<b>TOTAL DIFFERENCE (FY08 from FY07) – does not include ISO, I/3, Health Insurance, D&amp;C Services, OSOG leasing fee</b>					

<sup>5</sup> Note: This rate was changed to \$1.25/head count for FY2007 after the original rates were set. (HRE Customer Council meeting, 05/03/06)

<sup>6</sup> Note: The fee for office and storage space was combined to a universal rate of \$3.425/square foot for FY2007 after the original rates were set. (GSE Customer Council meeting, 05/12/06)

### Comparison of FY08 Projected Expenses for DAS Utilities – I/3 June 30, 2006

As the I/3 system transitioned from the development stage into the current operating system we have in place today, there have been additional funding sources – besides the DAS utility fee/allocation amount charged to customers – available to offset the on-going operational costs associated with maintaining the I/3 financial system. Starting with FY08 it was anticipated that the customer agencies would have to start absorbing the entire amount of operating costs for the I/3 system through the annual allocation of costs approved by the I/3 Customer Council.

To fund the total costs of operating the I/3 system for FY08 would require an additional \$2.2 million over the FY2007 billings, for a total of approximately \$4.5 million. Instead of requiring agencies to seek this additional funding individually, the Department of Management has recommended that DAS do a department request for the additional \$2.2 million in FY2008 to be distributed to agencies, as has been done in the past with other DAS fees. Under this scenario, the I/3 Customer Council passed rates for FY2008 at the FY2007 level, with the acknowledgement that the additional \$2.2 million would be requested by DAS to be distributed to state agencies and included in their FY2008 billings.

For FY2008 budgeting purposes, agencies should build into their budgets the same amounts anticipated to pay in FY2007 for the I/3 system. The information below indicates the total FY08 I/3 allocation for your agency (of the \$4.5 million), the previously approved FY07 amount, and the difference between those two amounts, which is anticipated to be the amount provided to agencies through a distribution of funds.

<b>AGENCY:</b>							
<b>DAS UTILITIES</b>	<b>FY07 RATE (ANNUALIZED)</b>	<b>ANNUAL FY07 PROJECTION</b>	<b>FY08 RATE (ANNUALIZED)</b>	<b>ANNUAL FY08 PROJECTION</b>	<b>FY08 – FY07 ANNUAL CHANGE</b>	<b>FY08 PROJECTED DISTRIBUTION</b>	<b>VARIANCE</b>
<b>State Accounting Enterprise (SAE)</b>							
I/3	N/A		N/A				

## **Information Security Office (ISO) Utility Rate Information – FY07 and FY08 June 30, 2006**

In late March/early April state agencies were contacted by representatives from the Technology Customer Council regarding funding the Information Security Office (ISO) as a utility. Thank you to all those who provided feedback on this proposal. Over the course of two months the Council, which is comprised of state agency designees, weighed the need and associated risks of the ISO, as well as alternatives, method of allocation and proposed price – taking into consideration the comments that were submitted by customer agencies. The Technology Customer Council approved creation of a utility for the Information Security Office, beginning with Fiscal Year 2007. Please note this utility rate was not included in the original FY07 rate and budget information provided to agencies last summer, as the ISO utility was just approved this past spring.

It is important to note that the ISO is not a new service, but the continuation of an existing program whose funding stream was discontinued (originally funded through Homeland Security). The ISO was the primary recommendation of the Governor's Cyber Security Task Force report released in 2004, and while the Governor did seek funding for the ISO in his FY07 appropriation, there was not adequate legislative support to fund this program. DAS has allocated a portion (\$44,294) of its FY07 appropriated funds to cover indirect costs of the ISO utility and to reduce the rates paid by customer agencies in FY07.

While most executive branch agencies are required to purchase utility services through DAS, there are a few other agencies that may opt in to this program as well (judicial, legislative and elected officials' offices). Their participation will affect the final rate charged to all agencies. Some of these agencies are still meeting with ISO and Technology Customer Council representatives to decide whether or not to participate, but at this time we are estimating the FY07 rate at \$0.87 per FTE per month, or \$10.41 per FTE per year. This amount could increase by up to approximately \$0.58/FTE/year if these agencies decide not to buy this service. A final FY07 ISO rate will be communicated to you later this summer, as soon as the number of participating agencies/FTEs is confirmed.

The addition of this utility rate was approved because information security is considered vital to state government. An adverse information security event in one agency may directly or indirectly impact others. The ISO mission is to provide leadership and assure accountability to reduce the risk to information technology resources and protect the confidentiality, integrity and availability of critical information assets. The ISO will be comprised of five core functions:

- 1) Develop enterprise-wide policies and standards in information security, in collaboration with affected agencies and in accordance with established best practice, and gain approval from the Technology Governance Board.
- 2) Assure through assessment, audit and monitoring that all participating agencies are following approved policies, standards and best practices to protect their IT resources and those of others.
- 3) Coordinate enterprise-wide information security awareness training and information sharing.
- 4) Provide emergency information and response services to reduce the impact of adverse incidents and speed recovery if an incident results in damage or interruption of service.

*(Continued on the next page)*

**Information Security Office (ISO) Rate Information – FY07 and FY08**  
**June 30, 2006**

- 5) Be a resource to agencies in their efforts to reduce risk and in meeting the requirements of the Enterprise Information Security Policy.

To ensure the accountability of the ISO, the Technology Customer Council requested that specific performance measures be outlined and monitored. This will help gauge the effectiveness of the ISO and the integrity of the State's computer network system.

Below you will find a chart that outlines the impact of this new rate on your agency, including projections for FY07 and FY08.

<b>AGENCY:</b>					
<b>DAS UTILITIES</b>	<b>FY07 ESTIMATED RATE (ANNUALIZED)</b>	<b>ANNUAL FY07 PROJECTION</b>	<b>FY08 RATE (ANNUALIZED)</b>	<b>ANNUAL FY08 PROJECTION</b>	<b>FY08 – FY07 ANNUAL CHANGE</b>
<b>Information Technology Enterprise (ITE)</b>					
Information Security Office (ISO)	\$10.41/FTE		\$12.76/FTE		